

UNITED STATES OF AMERICA
POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268-0001

Before Commissioners:

Robert G. Taub, Chairman;
Tony Hammond, Vice Chairman;
Mark Acton; and
Nanci E. Langley

Competitive Product Prices
Global Plus 1D (CP2016-193)
Negotiated Service Agreements

Docket No. CP2017-247

ORDER APPROVING MODIFICATION TWO TO
GLOBAL PLUS 1D NEGOTIATED SERVICE AGREEMENT

(Issued August 22, 2018)

I. INTRODUCTION

The Postal Service seeks to modify a Global Plus 1D negotiated service agreement.¹ For the reasons discussed below, the Commission approves the Modification.

¹ Notice of the United States Postal Service of Filing Modification Two to a Global Plus 1D Negotiated Service Agreement, August 13, 2018 (Notice). The modification is an attachment to the Notice (Modification).

In Order No. 4048, the Commission approved the Global Plus 1D negotiated service agreement (Existing Agreement).² On August 13, 2018, the Postal Service filed notice that it has agreed to the Modification to the Existing Agreement. On August 14, 2018, the Commission issued a notice reopening this docket to consider the Modification, appointing a Public Representative, and providing interested persons with an opportunity to comment.³

The Postal Service intends for the Modification to become effective September 1, 2018. Notice at 1. The Postal Service filed supporting financial documentation and a certified statement, as required by 39 C.F.R. § 3015.5. *Id.*

II. COMMENTS

Comments were filed by the Public Representative.⁴ No other person submitted comments. The Public Representative reviewed the financial model filed under seal and other related documents. PR Comments at 2-3. Based on that review, he concludes that the Existing Agreement, as modified, should continue to generate sufficient revenue to cover costs and satisfy 39 U.S.C. § 3633(a). *Id.* at 3.

III. COMMISSION ANALYSIS

The Commission has reviewed the Notice, the accompanying materials filed under seal, and the comments filed by the Public Representative.

Cost considerations. The Commission reviews competitive product prices to ensure that each product covers its attributable costs, does not cause market dominant

² See Docket No. CP2017-247, *et al.*, Order Approving Additional Global Plus 1D Negotiated Service Agreements and Conditionally Approving Modifications, August 16, 2017 (Order No. 4048). The contract was later modified. See Docket No. CP2017-247, *et al.*, Notice of the United States Postal Service of Filing Modifications in Response to Order No. 4048, August 29, 2017.

³ See Docket No. CP2017-232, *et al.*, Notice Initiating Docket(s) for Recent Postal Service Negotiated Service Agreement Filings, August 14, 2018.

⁴ Public Representative Comments on Notice of the United States Postal Service of Filing Modification Two to a Global Plus 1D Negotiated Service Agreement, August 21, 2018 (PR Comments).

products to subsidize competitive products, and contributes to the Postal Service's institutional costs. 39 U.S.C. § 3633(a); 39 C.F.R. §§ 3015.5 and 3015.7. As long as the revenue generated by the product exceeds its attributable costs, the product is unlikely to reduce the contribution of competitive products as a whole or to adversely affect the ability of competitive products as a whole to contribute an appropriate share of institutional costs. In other words, if a product covers its attributable costs, it is likely to comply with 39 U.S.C. § 3633(a).

The Existing Agreement is set to expire August 31, 2018. Order No. 4048 at 6. The Modification revises the expiration date of the contract to August 31, 2019. Notice at 1. The Modification also revises the negotiated rates to be paid under the contract, and changes the pricing structure. Notice, Attachment 1 at 1-18. The Modification revises numerous articles of the contract to update the language and to account for the new pricing structure. *Id.* at 1-3. The Modification also adds new articles relating to record-keeping and the expiration of contract rates. *Id.* at 3-4.

Based on a review of the record, the Commission finds that the Existing Agreement, as modified, should cover its attributable costs. Consequently, the Commission finds that the Modification should allow the Global Plus 1D product to continue to comply with 39 U.S.C. § 3633(a)(2). For this reason, the Commission finds that the Modification should not result in competitive products as a whole being subsidized by market dominant products, in accordance with 39 U.S.C. § 3633(a)(1). Similarly, it finds the Modification is unlikely to prevent competitive products as a whole from contributing an appropriate share of institutional costs, consistent with 39 U.S.C. § 3633(a)(3). Accordingly, a preliminary review of the Modification indicates it is consistent with section 3633(a). The Commission will review the cost coverage of the Existing Agreement, as modified, the cost coverage of the Global Plus 1D product, and the contribution of competitive products as a whole to the Postal Service's institutional costs in the Commission's Annual Compliance Determination to ensure that they continue to comply with 39 U.S.C. § 3633(a).

Other considerations. The Postal Service states that the Modification shall become effective September 1, 2018. Notice at 1. The Existing Agreement, as modified, is set to expire August 31, 2019. *Id.*

If the Existing Agreement, as modified, is terminated prior to the scheduled expiration date, the Postal Service shall promptly notify the Commission.

In conclusion, the Commission approves the Existing Agreement, as modified.

IV. ORDERING PARAGRAPHS

It is ordered:

1. The Commission approves the Global Plus 1D negotiated service agreement, as modified.
2. The Postal Service shall notify the Commission if the Existing Agreement, as modified, terminates prior to the revised expiration date, August 31, 2019.

By the Commission.

Stacy L. Ruble
Secretary